Consolidated Markets, Brand Competition, and Orange Juice Prices

In a new report released by USDA's Economic Research Service, researchers examined orange juice prices in 54 U.S. markets to determine if and how a highly concentrated marketing system affects retail prices. Results show little compelling evidence that consolidated markets engage in noncompetitive pricing. Instead, regional consolidation of food retailers and their integration into wholesaling appears to lead to lower market prices for orange juice. Increased private label competition with the leading national brands also contributes to lower orange juice prices.

Market shares for the four largest grocery chains in the 54 markets varied from over 85 percent to less than 50 percent. With such wide variation in retail concentration, the researchers grouped the data into the 10 markets with the highest four-firm concentration and the 10 markets with the lowest concentration, then compared prices between the two groups.

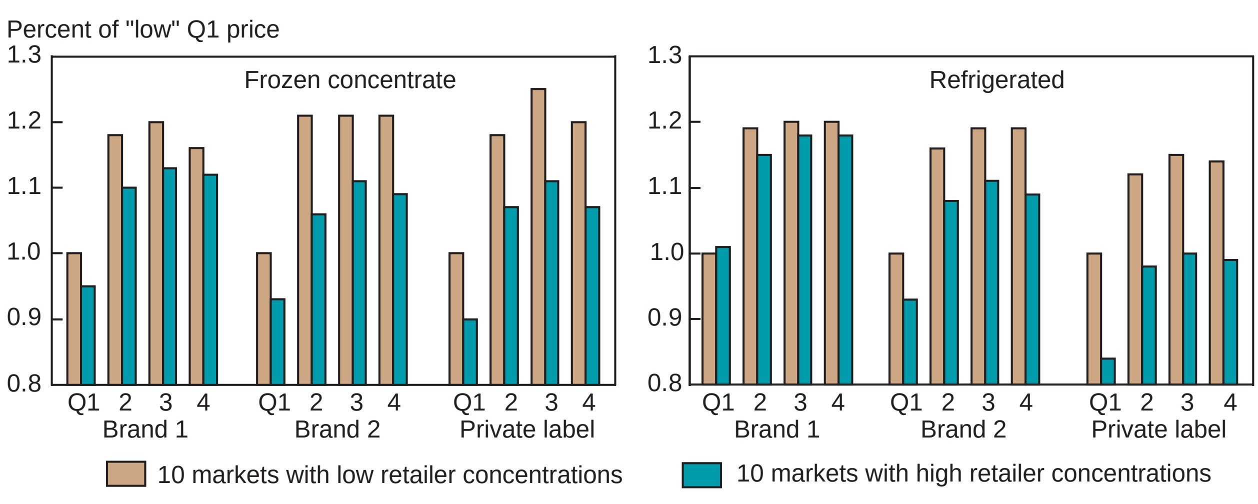
The researchers analyzed retail price data for six orange juice products—two branded frozen concentrate products, one private label frozen concentrate product, two branded refrigerated products, and one private label refrigerated product. The private label products represent not a specific product but the average price across all private label or store brand frozen concentrate or refrigerated products sold within a specific market. Prices are reported as averages for four 3-month periods.

For all three frozen concentrate products, average prices were lower for each quarter in the group of markets with a high degree of retail concentration (fig. 1). Refrigerated orange juice products were also priced lower in markets with high retailer concentration, with the exception of the first-quarter Brand 1 product where average prices were about the same in both the low- and high-concentration markets.

Frozen concentrate products also had lower prices in markets with high grocery wholesaler concentration, but the relationship between refrigerated product prices and wholesaler concentration was less clear. Markets with the highest concentration of integrated retailers who operate their own distribution warehouses had lower orange juice prices than markets with a lower concentration of integrated retailers. Most of these findings were replicated using the more rigorous approach of regression analysis, where the different influences on prices are isolated.

The complete report, *Consolidated Markets, Brand Competition, and Orange Juice Prices,* by James Binkley, Patrick Canning, Ryan Dooley, and James Eales, Agricultural Information Bulletin No. 747-06, can be accessed through the ERS Web site at http://www.ers.usda.gov/publications/aib747/aib74706.pdf. Printed copies can be obtained from the authors (pcanning@ers.usda.gov). **FR**

Figure 1—Retailer Concentration and Orange Juice Prices



Note: Quarterly market prices of orange juice for period ending November 2, 1990.
Source: Department of Agricultural Economics, Purdue University.